NOT ONLY CULTURAL HERITAGE: THE ECONOMIC VALUE OF ARCHIVES

Fabio Giulio Grandis
«Roma Tre» University
Lucia Biondi
«Roma Tre» University
Debora Chiarelli
Sapienza University of Rome
SUMMARY

Part I - A business-administration perspective (Lucia Biondi)

- The concept of «value» from a business-administration perspective
- Archives as Heritage Assets
- The International and European contexts: IPSASB and EUROSTAT
- The Italian context: «Heritage» Working Group and Italian Standard Setter Board
- The Italian viewpoint about the accounting treatment of heritage assets
- Focus on a new concept of value in use
- Case study

Part II – An archival perspective (Debora Chiarelli)
Part I – A business-administration perspective
The concept of “value” from a business-administration perspective

From heritage item... to heritage asset
Archives as Heritage Assets

**Definition of Asset** *(IPSASB CF, para. 5.6):*

“*a resource presently controlled by the entity as result of past events*”

An item with *service potential or the ability to generate economic benefits* *(IPSASB CF, para. 5.7)*

- Legal ownership
- Other rights that give an entity the ability to allow, limit or deny the access to the resource;
- The means to ensure that the resource is used to achieve its objectives; (…)
  *(IPSASB CF, para. 5.11)*

- Purchase
- Development of the resource
- *Non-exchange transactions* *(IPSASB CF, para. 5.13)*
The International Context: IPSASB

IPSAS 17—PROPERTY, PLANT, AND EQUIPMENT
The European Context: EUROSTAT

Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States

«As concerns national systems of public accounting, Member States shall have in place public accounting systems comprehensively and consistently covering all sub-sectors of general government and containing the information needed to generate accrual data with a view to preparing data based on the ESA 95 standard»

Art.3

«By 31 December 2012, the Commission shall assess the suitability of the International Public Sector Accounting Standards for the Member States»

Art.16
The Italian Context: «Heritage» Working Group

Italy has the highest number of UNESCO World Heritage Sites

A national public sector accounting standard for heritage assets does not exist

“Heritage” Working Group
The Italian Context: the Italian SSB

In March 2020, the State Accountant General established the Governance Structure for the definition of a single accrual accounting system for all public administrations, within the MoF:

body responsible for preparation of standards and accounting principles

ITAS 4
Fixed Assets
The Italian viewpoint about the accounting treatment of heritage assets
Focus on a new concept of value in use

adopting a partially new notion of “value in use” based on the “usability” of the asset

✓ The value in use is the value linked to the utility produced by the asset, its ability to meet needs

✓ the value of a heritage asset is based on its perceived utility by citizens (Montella, 2016)

✓ cultural heritage as an asset whose value lies in its usefulness for improving people's quality of life (Faro Convention, 2005)
Focus on a new concept of value in use

«value in use» for non-cash generating assets

HA measurement based on the «past» dimension

\[ K^C_{t_0} = \sum_{i=0}^{m} C^{N}_{t_0-m+i} (1+r)^{m-i} \]

Compound of Investment Costs (CIC) incurred to date to ensure the usability of the heritage asset

HA measurement based on the «future» dimension

\[ K^{VA}_{t_0} = \sum_{i=0}^{w} \frac{R^{N}_{t_0+i}}{(1+r)^i} \]

«value in use» for cash generating assets

Current value method - income approach (ED 78)

Present Value of the net Returns (PVNR) from the economic exploitation of the heritage asset (direct and indirect financial flows).
Case Study

ICCROM Archive

In progress...

State Archive of Rome
Case Study: ICCROM Archive

**HA measurement based on the «future» dimension (PVNR)**

\[
K^\text{HA}_{t_0} = \sum_{i=0}^{w} \frac{R^N_{t_0+i}}{(1+r)^t}
\]

**Components:**

- An estimate of future cash flows
- The uncertainty inherent in the cash flows
- The time value of money (discount rate)

**Possible future inflows:**
- Ticket sales
- Other services (e.g. bookshop)
- Concessions
- Exhibition loans, rental for conferences, etc.
- **Sponsorships, private contributions**
- Grants from Member States

**Possible future outflows:**
- Labour costs
- Maintenance
- Operating costs (utilities, cleaning and security services, purchase of consumables, etc.)
Case Study: ICCROM Archive

**HA measurement based on the «past» dimension (CIC)**

$$K_{t_0}^C = \sum_{i=0}^{m} C_{t_0-m+i} (1 + r)^{m-i}$$

Components:

- Past flows
- The time value of money

**Flows related to costs:**

- Costs incurred in setting up the archive site;
- Costs of archive staff (salary, meal vouchers, contributions, policies, etc.);
- Extraordinary maintenance (restoration, fittings, conservation, digitisation projects, heritage description projects, etc.);
- Costs incurred for the concession of the site (rental of archive site);
- Extraordinary operating costs
- (Ordinary maintenance and operating costs)

- Currency revaluation rate (ISTAT)
- Risk free rate + Equity risk premium
## Case Study: ICCROM Archive

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Flows related to costs</th>
<th>Rate</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>All cost items related to the archive</td>
<td>Risk-free rate</td>
<td>Best-case scenario</td>
</tr>
<tr>
<td>b)</td>
<td>All cost items related to the archive except ordinary maintenance and operating costs</td>
<td>Risk-free rate</td>
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<td>Worst-case scenario</td>
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</table>
Part II – An archival perspective
A perspective for the Italian archives
When/Why an archive should be evaluated?

<table>
<thead>
<tr>
<th>Activity</th>
<th>Public sector</th>
<th>Private sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>buy</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>sell</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>take out an insurance policy</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>take in an insurance policy</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>evaluate costs/benefits of a maintenance activity</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>plan long term preservation costs</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>attract new investors/investments</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>enter an asset in the organization's balance sheet</td>
<td>✓</td>
<td>✓</td>
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Which measurement criteria should be used?
Research goals

**NOT** to put price tags on documents

**BUT** to identify elements that contribute to

- the *definition of economic value*
- the *measurement of socio-economic impacts*

**with particular regard to**

- archives in public sector (State archives or other archives under State control)
- digital archives
## Archival heritage in the Italian State financial reporting

### BASE VALUE

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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<tr>
<td>1 linear meter</td>
<td>€ 5,164,57</td>
</tr>
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### EVALUATION COEFFICIENTS

<table>
<thead>
<tr>
<th>Physical condition and wholeness of the fond</th>
<th>Historical period from VII to XXI cent.</th>
<th>Carrier or format</th>
<th>Relevance for historical research</th>
<th>Rarity and asset</th>
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<tr>
<td>B</td>
<td>C</td>
<td>D</td>
<td>E</td>
<td>F</td>
</tr>
<tr>
<td>Da 0,1 a 10</td>
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### VALUE OF QUALITY ENHANCEMENT

\[(B+C+D+E+F) = G\]

### ESTIMATED VALUE

\[A \times G\]
Archival heritage in the Italian State financial reporting

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Critical issues:

- ✓ The method is not easily applicable to all types of materials in the archive
- ✓ Difficulty in combining the linear meter with the evaluation coefficients
- ✓ Relevance for historical research; Rarity and asset
- ✓ Materials that cannot be quantified on the basis of the linear meter (parchments, seals, typariums, drawings, prints, coins, medals, etc.)
- ✓ No criteria to evaluate the digital archives
A change of perspective

In 2017, the International Public Sector Accounting Standard Board (IPSASB) approved the consultation paper *Financial reporting for heritage in the public sector* for accounting treatment of cultural heritage assets.

The European Commission established a task force within Eurostat to develop the European Public Sector Accounting Standard – EPSAS. In April 2017, the EPSAS Working Group drew up an issue paper on the accounting treatment of heritage assets of member countries.

Italy has taken part in the international debate about heritage assets thanks to a working group at the Ministry of Economy and Finance (MEF) since November 2017.
Partnership

- Department of Business Economy (Roma Tre University)
- Department of Modern Letters and Cultures (Sapienza University of Rome)
## Case study: State Archive of Rome

| Type of data                  | Economic and financial data related to the Institute’s cash flow  
<table>
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<th></th>
<th>Statistical data about users</th>
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<td>Goal</td>
<td>To measure the documentary heritage to define the economic value of its usability</td>
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A few considerations

About economic value:

✓ It needs qualitative and quantitative analysis
✓ It is not only a financial formula
✓ It is a process

About archives:

✓ free entry
✓ services free of charge
✓ limited seating in the reading room
✓ many local users because archival fonds are often related to a specific territory
✓ archives do not increase tourism
✓ archives do not generate high external economies
Logical approach

1. Heritage item
2. Heritage asset
3. Recognition
4. Measurement
5. Disclosure

€
First step: identification of archives

- Do we know our institutes?
- Do we know our archival heritage?
- Do we know our users?
Statistical surveys have been carried out for archives by National statistics system (SISTAN) since 1993

8 survey areas

1. Premises, shelving, material, personnel, reading room attendance, research, management costs
2. Rooms by type in square meters
3. Stored materials
4. Users
5. Promotional activities
6. Technical services and archival schools
7. Personnel and their role
8. Equipment

CRITICAL ISSUES

✓ Surveys only concern State Archives, not other public archives
✓ Few State Archives have a reading room management software system
✓ Statistical activity is seen as a burden and not as a real resource for institutions
✓ Statistical data do not take into account access to databases, digital libraries and digitized records accessible remotely
A success story: Italian libraries in the welfare system

- 2017: A study project about libraries in the national statistical plan
- 2018: Agreement among many organizations for the annual updating of the library registry
- 2018-2019: Updating of the national registry of Italian libraries
- 2020: First Italian libraries Census
- March 2021: ISTAT publishes the first national survey on libraries

The ISTAT BES 2020 report (Equitable and sustainability well-being) for the first time contains an indicator dedicated to libraries within the domain "Education and training"
The BES Report

A multidimensional approach to measure the progress of society not only from an economic, but also from a social and environmental point of view.

A statistical tool to monitor the achievement of Sustainable Development Goals (SDGs) of the ONU 2030 Agenda.

Since 2016, the Equitable and sustainable well-being has become part of the national economic planning, within the Economic and Financial Document (DEF).
Future goals for Italian archives

Short term goals
✓ A national registry of all Italian archives (not only State Archives)
✓ A census of all the dimensions that characterize archives
✓ Regular statistical surveys over time for the creation of historical data series

Long term goals
✓ The design of indicators to measure the social and cultural impact of institutions in order to analyze the relationship between the archives and the communities in which they are located
✓ Two dimensions within the BES: a. Education and training, b. Innovation, research and creativity
✓ Improving the quality and availability of data to support the planning and the evaluation of development policies
References


Contact details

- Fabio Giulio Grandis, Full Professor of Business Administration, Department of Business Studies, Roma Tre University, fabiogiulio.grandis@uniroma3.it
- Lucia Biondi, Associate Professor of Business Administration, Department of Business Studies, Roma Tre University, lucia.biondi@uniroma3.it
- Debora Chiarelli, Phd student, Department of Letters and Modern Cultures, Sapienza University of Rome, debora.chiarelli@uniroma1.it